

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 4709

INFO AMCONSUL DHAHRAN

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E.O. 11652: N/A

TAGS: EFIN, USSAEC, SA

SUBJECT: REPORT ON FINANCIAL INSTITUTIONS

REF JIDDA 0858 AND PREVIOUS

1. JAMAL JAWA, MANAGING DIRECTOR OF ARAB PETROLEUM INVESTMENT COMPANY (APIC), AND ALSO DEPUTY GOVERNOR OF PETROMIN HAS INFORMED EMBOFF THAT SR 1.2 BILLION OF APIC'S AUTHORIZED CAPITAL OF SR 3.6 BILLION HAS NOW BEEN PAID UP. NO LOANS HAVE YET BEEN MADE, BUT APIC IS ACTIVELY CONSIDERING AN INVOLVEMENT WITH THE SUMED PIPELINE IN EGYPT.

2. ACCORDING TO JAWA, APIC WILL NOT RPT NOT MAKE CONCESSIONAL LOANS, BUT WILL DEMAND COMMERCIAL TERMS. THIS IS QUITE CONTRARY TO OUR ORIGINAL UNDERSTANDING THAT INTEREST FREE LOANS WOULD BE EXTENDED. APIC WILL ALSO BE WILLING TO TAKE AN EQUITY POSITION IN PROJECTS.

3. FIRST PRIORITY WILL GO TO PROJECTS IN THE ARAB WORLD. ALL PROJECTS MUST BE IN SOME WAY RELATED TO PETROCHEMICALS, ALTHOUGH THIS PRESCRIPTION MAY BE INTERPRETED FAIRLY

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BROADLY, ACCORDING TO JAWA. INFRASTRUCTURE PROJECTS,

FOR EXAMPLE, ARE LIKELY TO BE INCLUDED.

4. IT WAS VERY INTERESTING TO NOTE THAT "ARAB COUNTRIES" WILL SPECIFICALLY NOT RPT NOT EXCLUDE WEALTHY SAUDI ARABIA. JAWA SAID THAT APIC MIGHT VERY WELL TAKE SOME OF THE COMMERCIAL RISK INVOLVED IN JOINT VENTURES BETWEEN PETROMIN AND MULTI-NATIONAL FIRMS--VENTURES WHICH WOULD LARGELY BE FINANCED BY THE SAUDI PUBLIC INVESTMENT FUND (PIF). THIS NEW FINANCIAL WEAPON IN THE HANDS OF PETROMIN WILL HELP REDUCE THAT ORGANIZATION'S FINANCIAL WEAKNESSES. UNTIL NOW PETROMIN HAS BEEN REQUIRED TO OBTAIN ALL FINANCING FOR ITS PROJECTS FROM THE PIF, AT THE EXPENSE OF CONSIDERABLE DELAY AND CONFUSION (ACCORDING TO PETROMIN). IN FACT, THE DECISION TO MOVE AWAY FROM CONCESSIONAL INTEREST RATES AND TO TAKE EQUITY POSITIONS MAY BE AN INDICATION THAT JAWA AND PETROMIN INTEND TO SWING FAIRLY FREELY WITH APIC.

5. REQUEST REFTTEL, PARA 1, BE AMENDED TPER ABOVE, BUT USED WITH CAUTION IN UNCLASSIFIED REPORTS. EMBASSY WOULD APPRECIATE RECEIPT OF TREASURY'S REPORT ON FINANCIAL INSTITUTIONS AS SOON AS IT IS AVAILABLE.
PORTER

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